

**{As Prepared for Delivery}**

**National Ethanol Conference Panel:  
Las Vegas, Nevada  
February 22, 2006**

**Thomas C. Dorr  
Under Secretary for Rural Development  
Opening Remarks**

**Thank you. It's a pleasure to be with you again this year. The growth of this industry -- and the growth of renewable fuels in general -- is extraordinary. It's exciting to be a part of it.**

**And it's a privilege for me to follow Secretary Johanns to discuss USDA Rural Development's role in helping to finance this growth.**

**The Secretary a few minutes ago spoke about the Administration's commitment -- and USDA's commitment -- to renewable energy.**

**The President himself, of course, spoke to this at length in his State of the Union address a month ago, and he has returned to the subject several times since then.**

**So it is both appropriate and important for me, as we start this discussion, to note that this commitment is real, and strong.**

**Now, I am trying very hard not to repeat what Secretary Johanns what he is going to say on that subject.**

- **Some of you, I know, were in San Diego two weeks ago for the National Biodiesel Conference and have already heard my talk about our strategic vision for renewable fuels.**
- **So you can relax – you won't have to listen to it again today.**

**But I want to add that I have known President George Bush for several years, going back to before his first campaign. And I can tell you that President Bush did not come to this issue yesterday.**

- **America's excessive dependence on imported oil is, in fact, something he was talking and thinking about long before he ran for President.**

- **The President understands that America's energy security requires a comprehensive effort. I emphasize the word "comprehensive" -- frankly, some of the single interest lobbies need to realize that this is an "all of the above," not an "either-or" question.**
- **The President understands that America's strategy must include conservation and increased energy efficiency, as well as more domestic production of coal, oil, natural gas, and nuclear power.**
- **And he recognizes as well the critical importance of developing new energy sources, including -- of course -- ethanol.**
- **The President has been consistent on this. In fact, a comprehensive energy package was one of his first initiatives in 2001.**
- **For 4 years, he battled the special interest lobbies to get it passed. He refused to let it die. And as a result, today we have important new policy tools to move us ahead.**

**I emphasize all of this because this panel is here to discuss the Financing Decision. And the fact is, there's an 800 pound gorilla in the room.**

**Lurking in the background is the fact that the field of renewable energy still involves significant political risk. Let's put that up front.**

**Many new energy sources are still in the liftoff stage. They're not yet market-ready. Some are close -- but commitment and leadership from the President ... from Congress ... from Governors and State legislatures ... are essential to a successful launch.**

**I obviously can't guarantee – none of us can – that the tax incentives and the regulatory structure will continue to be as supportive of ethanol and other new energy sources 5, 10, and 20 years down the road.**

**But the fact that the President is genuinely committed – and a majority of the Congress is committed – to renewable energy is enormously important.**

**So I'm very optimistic given the economic and political environment of today. But I'm also old enough to remember the 1970's and the idea that we were going to wave a magic wand and solve the energy crisis by pouring enough subsidy dollars into RD&D.**

**One of the key lessons of the 1970s is that that approach doesn't work.**

**This brings me a core strategic principle that guides our investment strategy at USDA Rural Development.**

- **Our goal is sustainable development. That means development that is market driven, not program driven.**
- **Rural America doesn't need Potemkin Villages that wither and die the moment the subsidy plug is pulled.**
- **It needs growing businesses that can meet the market and thrive in a globally networked and incredibly competitive world.**

**Our goal as a development agency is thus self-limiting. Government can fund research. Government can help develop markets and support demonstration projects. And we're doing all these things.**

**But ultimately, our goal is to make ourselves less necessary and preferably unnecessary.**

**In the final analysis, we will have succeeded when we have put ourselves out of business -- when ethanol, biodiesel, wind, solar, biomass, geothermal, and other new energy sources are fully market-ready, without subsidy. We're not there yet, but that's the goal. And the tipping point is getting closer every day.**

**You know from that perspective, it's important to note that at USDA Rural Development, we don't have an ethanol program. Or a biodiesel, wind, solar, or biomass program.**

**But we do have a competitive, technology neutral energy program of which ethanol, wind, biodiesel, solar, geothermal, and biomass are all a part.**

**We also have a Rural Utilities Program that invests in conventional power generation and transmission. There is also renewed interest on the utilities side of the agency in nuclear.**

**And significantly, an increasing number of rural electric coops are themselves starting to invest in various forms of renewable energy, because they're responding to market signals.**

**We have other Business and Cooperative Programs as well -- most notably, the Business and Industry Guaranteed Loan Program, and the Value Added Producer Grant Program -- that are available for energy related investment.**

**Adding it up, we have a lot of tools in the kit. Since 2001, from all sources, we have invested nearly \$290 million in renewable energy projects. The balance shifts over time.**

**But bottom line, the key thing for you to recognize in dealing with us is that we are committed to renewable energy, but we are essentially technology neutral.**

- **I frankly don't know which technologies will meet the market test 20 years from now.**
- **Nor do I know, a couple of decades from now, how biofuels will stack up versus hydrogen or oil shale or tar sands or coal liquefaction.**
- **All of us are in this room today because we see ethanol as having an important role in the new energy economy.**
- **I'm no exception -- I'm from Iowa, I grow corn, and you can guess what I think. But it's not my call.**
- **The markets will make that call.**



**From our perspective, therefore, a market orientation means that our loan and grant programs are competitive. Whether it's ethanol -- or anything else -- the way to succeed in our process is to minimize the requested subsidy, maximize the private leverage, and maximize the bang for the buck for the taxpayer.**

**So adding it all up, the opportunities are there. The future is bright.**

**But in closing, I want to add a special note on behalf of our mission at USDA Rural Development.**

**This is a national ethanol conference. There are agricultural producers here, but you represent all sectors of the industry. Some of you have rural roots and commitments; others don't. There is room for all of us.**

**From our perspective, however, ethanol is exciting for a very special reason. It is an enormous opportunity for wealth creation in rural America. And I am committed to helping develop new business and investment models that make that possible.**

**Ethanol, like most of the other emerging new energy sources – that are a challenge but an opportunity, is inherently distributed in nature.**

**Farmers supply the feedstock. And the traditional view is that ethanol is just a new market for corn, an opportunity to net another 5 or 10 cents on the bushel.**

**But the real economic opportunity in ethanol – the reason, in fact, that all of you are in this room – lies in the value added as a premium fuel.**

**From a national energy policy standpoint, it doesn't make a great deal of difference who owns the plants. But from a Rural Development standpoint, it does. I am rural guy.**

**A year ago, I had the opportunity to attend the Energy Finance Forum in New York City:**

**Those are the stakes. I am the last person in the world who wants to stand in the way of the free flow of capital ...**

**... But when rural America is presented with its greatest new opportunity for wealth creation in my lifetime ...**

**... I think it's essential that we find a way to ensure that not just farmers, but the local schoolteachers ... shopkeepers ... doctors, nurses, and lab techs ... the factory workers and the REC lineman up on the pole ... all have a chance to participate as owners and investors.**

**That is a work in progress. But it is an issue that will recur as distributed energy technologies continue to grow. Distributed, network based production is not a guarantee of local ownership and control – but it is an opportunity.**

**And it's an opportunity I am eager to seize. So thank you for what you are doing to build a new energy economy for the United States. We look forward to working with you.**

**Thank you.**